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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Executive Director

Division of Oil, Gas and Mining

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Outgoing
C0070034
#3813
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May 19, 2011

Erwin Sass, General Manager
Canyon Fuel Company, LLC
P.O. Box 1029
Wellington, Utah 84542

Subject: Midterm Review, Canyon Fuel Company LLC, Banning Siding Loadout, C/007/0034, Task #3813, Outgoing File

Dear Mr. Sass:

The Division has completed the Midterm Review of the Banning Siding Loadout in accordance with R645-303-211. The items reviewed, were identified in our April 19, 2011 letter.

The Division concluded that some updates to the Mining and Reclamation Plan (M&RP) are needed. Please submit the necessary updates as an amendment to the M&RP by June 30, 2011. The results are listed below.

- A) All permit conditions, division orders, notice of violations, abatement plants and permittee-initiated Plan changes approved subsequent to permit approval or renewal are appropriately incorporated in to the plan document.
- B) The M&RP is updated to reflect changes in the Utah Coal Regulatory Program that occurred subsequent to permit approval.
- C) The M&RP was reviewed for application of the best technology currently available to prevent additional contributions of suspended solids to stream flows outside the permit area.
- D) The Division conducted an AVS check on May 2, 2011. No violations are pending. However, the Division did find several Ownership and Control deficiencies in the M&RP listed below. Please submit this information as an amendment to the plan.
- E) The bond has been reviewed to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate year dollar.
- F) The permit is in compliance with variances and special permit conditions.



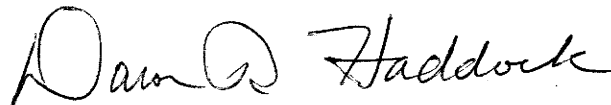
G) A technical site visit was not considered necessary because of the Loadout's temporary cessation status.

The midterm review has now been completed and will now be closed; however, the Division has identified deficiencies that must be addressed. The deficiencies have been included with this letter (See Attached). The name of the author for each of the respective deficiencies has been provided.

Your response to these deficiencies will need to be submitted as an amendment to your MRP and will be processed as a separate task. Please submit the required amendment with the accompanying C1 and C2 forms by no later than June 30, 2011.

If you have any questions regarding these requirements or the Midterm Review please don't hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Daron R. Haddock". The signature is fluid and cursive, with the first name "Daron" and last name "Haddock" clearly distinguishable.

Daron R. Haddock
Coal Program Manager

DRH/IC/sqs

Enclosure

cc: Price Field Office

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**Midterm Permit Review Task # 3813
Banning Siding Loadout
Deficiency List**

Review Team

Ingrid Campbell (IC)

Angela Nance (AN)

Peter Hess (PH)

Jim Smith (JDS)

R645-301-113: Please provide a current table 1-2, three year violation history for all mining operations associated with Canyon Fuel Company. (IC)

R645-301-112: Some of the information in the current MRP does not match the information found in the OSM/AVS database. Please see below (AN)

Arch Coal, Inc.

1. The AVS shows Peter Wold, Director and J. Jones, Director with a Begin Date of 07/24/10. The AVS also shows David Freudenthal, Director with a Begin Date of 02/23/11 and Frank M. Burke, Director with an End Date of 07/24/10. This information is not in the current MRP. *Please address this discrepancy. by either updating this information in the MRP or by providing a Secretary's Certificate to correct the AVS.*

Arch Western Bituminous Group, LLC

1. The AVS shows Robert W. Shanks, Director with an End Date of 02/14/11 and Gary Bennett, Director with a Begin Date of 02/14/11. This information is not in the current MRP. *Please address this discrepancy by either updating this information in the MRP or by providing a Secretary's Certificate to correct the AVS.*

Canyon Fuel Company, LLC

1. The AVS shows Robert W. Shanks, Director with an End Date of 02/14/11 and Gary Bennett, Director with a Begin Date of 02/14/11. This information is not in the current MRP. *Please address this discrepancy by either updating this information in the MRP or by providing a Secretary's Certificate to correct the AVS.*

R645-301-121.100, R645-301-121.200, and R645-303-212, - References to Figures 7-3, 7-4, and 7-5 must be revised or otherwise clarified; these figures are not found in the MRP. (JDS)